

## Message Text

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ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 COME-00 TRSE-00 FRB-03 CIAE-00

INR-07 NSAE-00 FEAE-00 EB-07 SP-02 CIEP-01 OMB-01

/038 W

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R 010800Z MAY 75

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 2696

INFO AMCONSUL ZAGREB

LIMITED OFFICIAL USE BELGRADE 2138

PASS EXIM BANK

E.O. 11652: N/A

TAGS: BEXP, YO

SUBJECT: MAJOR PROJECT: KOSOVO THERMOELECTRIC POWER PLANT

REFS: A. 1157 (BELGRADE) B. 1249 (BELGRADE)

1. YUGOSLAV AUTHORITIES ARE LEANING ON TECHNICAL GROUNDS TOWARD PROPOSALS ADVANCED BY U.S. FIRMS FOR TWIN 300 MW KOSOVO THERMOELECTRIC STATIONS. INVESTORS HAVE ASKED BOTH WESTINGHOUSE AND BABCOCK-WILCOX TO PREPARE TOTAL PACKAGE PROPOSAL, INCLUDING FINANCING TERMS, BY END OF MAY.

2. WESTINGHOUSE AND BABCOCK-WILCOX COMBINATION IS BEST POSSIBLE PACKAGE FROM STANDPOINT OF U.S. EXPORTS. IT WOULD INCLUDE AT LEAST \$100 MILLION IN U.S. CONTENT IN EMBASSY'S ESTIMATE. BABCOCK-WILCOX AND WESTINGHOUSE HAVE TOLD EMBASSY THAT THEY ACUTELY NEED THIS BUSINESS.

3. PROBLEM FACING U.S. FIRMS IS THAT YUGOSLAV INVESTORS ARE QUITE SKEPTICAL THAT U.S. SOURCES CAN PROVIDE FINANCING REQUIRED FOR WESTINGHOUSE AND BABCOCK-WILCOX PACKAGE.

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SCOPE OF PROJECT IS ENORMOUS AND YUGOSLAVS INCLUDE IN

THEIR ESTIMATE THE FINANCING NEEDED TO DEVELOP COAL MINES FOR THE THERMOELECTRIC STATIONS. THEY ESTIMATE THAT TOTAL COST FOR COAL MINES AND POWER STATIONS WILL AMOUNT TO \$470 MILLION, OF WHICH YUGOSLAV SHARE IN FINANCING MIGHT NOT EXCEED TEN PERCENT. THUS, YUGOSLAVS WILL NEED CONSIDERABLE FINANCING OF LOCAL COSTS IN ADDITION TO PURCHASES OF EQUIPMENT.

4. A KEY FIGURE IN NEGOTIATIONS IS LOCAL REPRESENTATIVE WESTINGHOUSE BOSKO KOSTIC, PROGRESS, WHO BELIEVES FINANCING CAN BEST BE ARRANGED IF BOILERS PURCHASED FROM CANADIAN SOURCES RATHER THAN BABCOCK-WILCOX IN U.S. KOSTIC ARRIVES IN U.S. MAY 5 TO VISIT WESTINGHOUSE, BABCOCK-WILCOX, EXIM BANK (ALBRIGHT), AND COMMERCIAL BANKS. HIS VIEWS ON CONTACTS WITH EXIM BANK AND COMMERCIAL BANKS WILL STRONGLY INFLUENCE DECISION OF KOSOVO INVESTORS AND YUGOSLAV BANKS INVOLVED IN FINANCING PROJECT.

5. ACTION REQUESTED: SINCE FINANCING IS CRITICAL ELEMENT IN ABILITY OF U.S. FIRMS TO CAPTURE THIS PROJECT, WE URGE THAT EXIM BANK DO ALL POSSIBLE TO CONVINCE KOSTIC THAT EXIM BANK WORKING WITH U.S. COMMERCIAL BANKS CAN MATCH OR BETTER ANY CANADIAN OFFER. WE UNDERSTAND FROM BOTH PROGRES AND BABCOCK-WILCOX THAT CANADIANS PREPARED TO OFFER CONSIDERABLE FINANCING LOCAL COSTS. WE HOPE EXIM BANK CAN HELP U.S. BIDDERS COMPLETE FAVORABLE FINANCING OFFER BY END-MAY DEADLINE.  
MILLER

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**TAGS:** BEXP, YO  
**To:** STATE  
**Type:** TE  
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